

The extent that certain dairy farmer attitudes and behaviors are associated with farm business profitability

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INTRODUCTION

Farmer attributes have received relatively little attention as drivers of farm profitability. This is especially clear when contrasted with factors such as enterprise type and farm scale. The few studies examining farmer attributes have shown that they can be predictive of profitability to a similar or greater degree. Mäkinen (2013) found that farmers' 'management thinking' attitudes and beliefs were strongly predictive of dairy farm profitability. Herrmann (2016) reported that managers' 'commitment' and 'discipline' were moderately correlated to farm performance. However, these few studies did not fully explore the role of attitudes and beliefs. Furthermore, no application of these insights has been reported as far as we are aware.

Using such insights, farm performance and profitability could potentially be improved. This would be a novel and potentially highly effective approach. This could be achieved during the training, or hiring of, farm managers through the measurement and management of attributes associated with farm profitability. There is a well-established occupational-psychology literature demonstrating strong and consistent associations between employee (including managers) attributes and job performance (e.g. Hunter & Hunter 1984; O'Boyle et al., 2011). Application of such insight in agriculture would, however, benefit from further research in an agricultural context. Confirming that the associations found in general occupational psychology studies exist in different groups of farmers, and how best to apply these insights effectively, would be valuable. This paper contributes to the former by investigating the association between the attributes of farmers in Great Britain (GB) and farm profitability.

Of the range of attributes studied to date, farmer beliefs and attitudes have been found to be associated with farm profitability (Table 1). Farmer behaviours and actions have been investigated relatively more frequently than attitudes and beliefs. However, only moderate associations with farm performance have been reported for specific behaviours compared to relatively stronger associations found in the few studies examining attitudes and beliefs (Nuthall, 2010; Mäkinen, 2013; Herrmann, 2016). This implies that farmer attitudes and beliefs may be more predictive of farm profitability than specific farmer actions and behaviours.

An attitude is an expression of favour/disfavour toward a person, place, practice or event. A belief, or conviction, is a psychological state where someone holds a specific premise to be true or not. As they are both closely related concepts, attitudes and beliefs, objectives and goals will henceforth be referred to together as ‘attitudes’. Behaviours relate to a person’s response to particular situations or stimulus (Jones et al., 2016). Specific management practices (such as benchmarking) are also aggregated together with other behaviours as a subset of ‘behaviours’.

That farmers are motivated by factors besides profit is well-documented (see, for example, Edwards-Jones, 2006; Gasson, 1973). Attitudes relating specifically to profit have been given a range of labels such as ‘business orientation’ and ‘profit maximiser’ though they arguably describe very similar constructs. ‘Entrepreneurial orientation’, ‘strategic thinking’ and instrumental values (e.g. means to an end, making money) were found predictive of financial performance by Mäkinen (2013). These three measures loaded on a construct called ‘managerial thinking’ that was highly predictive of profit.

Following a comprehensive literature review, the attitudes that appear advantageous for a profitable farm business from 10 selected studies are shown in Table 1. In general, viewing farming as a lucrative business combined with seeing it as a way of life appears to positively predict financial performance (e.g. Mäkinen, 2013). Encouraging farmers to embrace these attitudes or challenge contrary attitudes, may thus increase farm profitability.

Other attitudes have also been linked to profitability. Herrmann (2016) found that farms run by those who placed greater value on their own leisure had smaller increases in equity over three years than those that did not. Nuthall (2010) found that those who prioritised risk reduction had more profitable farms than those that did not. Believing that farming delivers more than just food, but also public goods, was found to be associated with greater technical efficiency by Barnes (2006).

The study reported here explored whether the attitudes and behaviour of farmers as operationalised in the Theory of Planned Behaviour (Ajzen, 1991) were associated with the profitability of their dairy farms in GB, as measured by their farm accounts data. The sample used is not especially representative so the objective is not to accurately estimate statistically the prevalence of attitudes and behaviours in GB dairy farmers, but to identify associations and patterns which are likely to generalise to GB dairy farmers, dairy farmers in other countries and other GB farmers. Below, the profit measure used as a proxy for management performance, is first discussed. Then, an exploratory correlation analysis of the participants' survey responses, attributes and their associations with their farm profitability is examined. The results of a linear regression model using these variables follow, which predicts a significant proportion of the variation in farm profit of the study farms. The findings are then

summarized and discussed before conclusions and recommendations based on the study's findings are presented.

MATERIALS AND METHODS

The questionnaire used

A questionnaire containing 83 questions was initially developed in early 2012. This was based on the findings of a review of the literature and discussions with a group of experienced farm management consultants. The questionnaire had five sections with questions on: farm management style; staff management practices; business goals and objectives; personal views on management; and socio-demographic characteristics of the farmer/farm manager and their farm business. The majority of the questions (59/83) consisted of propositional statements to which respondents had to indicate their level of agreement on a 5-point Likert scale with 1 being 'Agree strongly' and 5 being 'Disagree strongly'. Each of the questions were exploratory and were hypothesised to be potentially associated with farm profitability. Some themes judged to be more likely to be associated with profitability were addressed by multiple questions. These were asked in different ways e.g. negatively or positively framed, or assessing a closely related aspect. These could be considered as being in either the 'attitudes' or 'behaviour' constructs of the Theory of Planned Behaviour (TPB) framework of Ajzen (1991). Figure 1 illustrates how the study reported here investigated the role of behaviours and attitudes as potential predictors of dairy farm profitability based on the TPB framework.

Example statements/questions which relate to attitudes were: 'Increasing turnover is essential for long-term success'; 'Content cows are a major source of pride'; and 'Staff entering the industry lack important skills and knowledge'. Example statements/questions relating to

behaviours were: ‘I buy most of my inputs from one or two local suppliers’; and ‘I don’t usually pay for staff training as they may leave after and/or I would rather do it myself’.

Experienced farm management researchers (the authors and others) revised the first draft questionnaire which was then followed by pilot testing on 4 individual farmers. The resulting final version of the questionnaire (the questionnaire is available from the corresponding author or from <https://goo.gl/ZnuWUz>) was then mailed to 234 dairy farmers who were clients of the business services of Promar International (a major agri-food consultancy organization) in the spring of 2012. Following written and verbal reminders, 101 responses were elicited (a 43% response rate), 21 of which were then discounted from the analysis for incompleteness. This resulted in a final sample of 80 (a 34% response rate) of those questionnaires distributed.

Sample characteristics

The participants managed either specialist dairy, or mixed dairy, farms with a herd size of milking cows between 34 and 453 with a sample mean of 198 (Table 2). This was larger than the UK average of 126 at that time (DairyCo, 2013a). However, the sample was representative in other key respects. For example, mean yield per cow was 7,595 litres, similar to the UK average of 7,604 in 2011/12 (DairyCo, 2013b), and the average age of the participants was 50.5 years compared with the national average of 51.4 (Farm Business Survey Team, 2012). In terms of geographical spread, South Wales and Scotland were under-represented. Whilst these sample characteristics are not ideal, for an exploratory study such as the one reported here, it can be described as ‘satisfactory’.

Profitability as a proxy for farm manager performance

A profit-based measure was deemed the most appropriate proxy of success or generally desirable outcomes. The measures 'Return on Assets' and 'Return on Equity' were considered, but discounted as the necessary land valuations were not updated regularly in the farm management accounts data set used. Net Farm Income (NFI) was identified as being a relatively fair measure of profitability to assess the performance of a manager as it adjusts for rent and unpaid family labour which are generally outside managers' control in the short to medium term. However, it was not possible to calculate NFI in the study reported here as an estimate of unpaid family labour was not collected in the dataset used.

Therefore, a similar measure of profitability was selected - Profit Before Resource Costs (PBRC). This is a profitability measure that does not include costs such as rent on land or finance charges on borrowed capital but does include wages paid to both family and regular hired farm staff. As rent and finance are mostly attributable to an individual farm's resource base or endowment, the everyday actions of the farmer or farm manager, at least in the short and medium-term, can only have limited impact on these factors (Table 2). To see, in a detailed way, how PBRC is calculated, the reader should refer to the Appendix of this paper. There, an annotated version of an example set of farm accounts is presented.

Three other measures of financial performance were also calculated. First, to avoid bias due to business size, PBRC divided by turnover was calculated. Second, PBRC was also calculated with 'real' wages of family and regular labour added back in. Third, PBRC divided by turnover was also calculated with 'real' recorded wages added back in. This latter measure is, in one sense, a superior measure to NFI as only bank-reconciled figures were

used and the participating farmers were not required to estimate the value of unpaid family labour which would be likely to introduce some inaccuracy.

To minimise the effects of annual variation through factors such as unusual weather or commodity price volatility, financial performance means were calculated over three financial years - 2011/12 to 2013/14. The questionnaire survey which collected the attitudinal and socio-demographic data was carried out during the spring of 2012 i.e. near to the end of the first of these three financial years, approximately one third of the way through the financial period assessed. The financial data was collected routinely each year for the purpose of preparing farm management accounts for their clients by Promar International.

The four 'profit' measures considered each adjust for certain biases that might impact the apparent influence of the farm manager on profitability. Although these measures are inherently similar and closely related, they are distinct with the correlations between them ranging from 0.43 to 0.93 (Table 3).

PBRC with wages added back and divided by turnover was judged as the measure most indicative of desirable outcomes or success attributable to the farm manager, being independent of those variables that are outside the farmer or farm manager's control. In the results that follow, and the tables that are shown, this measure is referred to as: (PBRC+Wages)/Turnover.

RESULTS

Univariate analysis

Statistically significant correlations of socio-demographic parameters with the financial performance measure chosen close to, or below, the $p < 0.05$ threshold are listed in Table 4

along with mean scores and standard deviations for each response. Spearman's non-parametric correlation analysis (ρ) was used. A few variables with a p-value greater than 0.05 are reported as they are included in the multi-variate analysis reported on below.

About 10% of profitability variation can be predicted by how profit-focused farmers said they are. Most respondents agreed tentatively (41%) and a few agreed strongly (15%). Around 25% were neutral and 19% disagreed. By the survey farmers' own assessment, there is scope for the majority of their farm businesses to be more profit-orientated. The most highly correlated attitudinal variable with profit was the respondents' own assessments of whether increasing turnover is essential for long-term success.

Many of the study farmers appeared to have a negative view of continuing personal development. Several variables indicative of this view were also strongly correlated with profitability. For example, the most highly correlated of these to profitability was the reported provision of training for staff and themselves ($\rho = 0.29$). The educational attainment level of the manager was also positively correlated but to a lesser extent (0.21, $p=0.06$). Specifically, a formal agricultural training qualification appears to be beneficial.

Respondent age and years of management experience were not significantly correlated with financial performance. Though slightly more profitable on average, farms managed by university graduates with agricultural degrees (18% of the sample) were not statistically significantly more profitable than those of non-university agricultural graduates ($p=0.18$). This indicates that the formal agricultural qualification is important, not necessarily the level of qualification achieved, although higher levels appear to be slightly advantageous.

Some 64% of respondents had some form of agricultural education beyond A Levels (including degrees) and their businesses had 4% greater profit (or turnover) than those of people with no formal agricultural education beyond A – level (t-test, $p < 0.001$). It was found that the least educated had a more negative view of discussion groups than their more educated counterparts. Educational attainment was negatively correlated with viewing farm walks and discussion groups as essential ($\rho = -0.29$, $p = 0.01$). These correlations support the assertion that farm business profitability is associated with farmers' views on continuing personal development.

Eleven of the 80 farmers reported paying-off loans early. Their businesses were significantly less profitable than the others (t-test, $p = 0.04$). Early loan repayment may be an unwise alternative to on-farm investments if one assumes reasonable levels of finance costs. Nine of the 80 respondents reported investing profits off-farm. These businesses tended to be more profitable (t-test, $p = 0.07$).

The most prominent variables that were not predictive of financial performance will now be discussed. The literature review found that age, decision-making processes, and locus of control were unlikely to be predictive of financial performance; this finding is supported by the low non-significant correlations with profitability that are observed in this study. The correlations did not approach the p-value of 0.05 or less significant threshold chosen for presentation in this paper. For example, Locus of Control proved to be not correlated with profitability with Spearman's ρ of just 0.12 ($p = 0.30$). No correlation was found between hours worked and financial performance. The same was true for general self-rated management ability on a scale of 1-10, indicating that effort in the form of hours worked and general self-rated management ability are not predictive of financial performance.

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All the questions in the questionnaire were assessed for associations with profitability and, if they were not included in the above section on correlations with performance, or presented in Table 4, they were not significantly associated with profitability at the $p < 0.05$ level.

Multi-variate analysis

To assess the relative importance of the variables correlated with farm profitability, multi-variate linear regression was performed. The variables with the largest correlations with financial performance (Table 4), were included in an initial model. Variables were progressively eliminated, using a stepwise approach (Vandermersch and Mathijs, 2004), based on variable p -values in the various models and the model AIC values. In this way, variables were eliminated from the model until all remaining variables were significant.

The final model is presented in Table 5 and contains only five variables. The variable with the largest univariate association with profitability, ‘viewing increasing turnover as essential to success’, was discounted from the above process. This was because it was deemed likely to have an endogenous relationship with the chosen dependent variable. Expressing ambition to expand should, however, be considered a positive predictor of farm outcomes and was associated positively - though not always at the $p < 0.05$ threshold, with all 4 PBRC profit variables. The associations were strong where turnover was the denominator. This finding supports the interpretation that the chosen dependent variable’s large association with this variable, was partially spurious from the perspective of assessing manager performance, in general.

Most of the model variables were independent of each other with the exception of variables 4 and 5 ($\rho=0.27$, $p=0.01$). Both relate to emotions (pride and anger) in management. The less profitable businesses tended to have managers who reported these emotions as being more important.

During the model testing phase, all the variables were tested for interactions with each other but they were found to be non-significant. The variance inflation factor calculated for the model of 1.5 indicated multi-collinearity was not a major concern. A QQplot of the model residuals indicated the Independent Variables are fairly normally distributed. This indicates that a linear regression model was appropriate in this context. The R^2 value of 0.34 for the model indicates that 34% of the variation in the profit measure was explained or predicted by the responses to these five questions. However, as cross validation was not performed, it is likely that this model is somewhat over-fitted. Validation of these findings in novel samples of farmers would, therefore, be advantageous.

The same variables were included in models of each of the three other PBRC profitability measures with 29%, 31% and 29% of the variation explained for PBRC, PBRC/turnover and PBRC plus wages respectively (see Table 6). Large changes in profit were also predicted for the three other measures for variation in all five question responses (variables). For example, £33,575 more PBRC is predicted for respondents' each point of agreement with the statement that their farm business is completely profit-orientated on a five point scale. This variable is the most predictive of profitability in the model based on standardised coefficients. The focus on profit is, presumably, primarily at the discretion of the manager but it could be partially endogenous with less profitable farmers stating that they do not prioritise profit because they know they are not very profitable. The second most important variable was the self-

assessment of management insight gained during their teenage years. This variable was found to be negatively associated with profitability i.e. the more that respondents affirmed that they learned ‘a great deal’ about farming during their teenage years, the lower the profitability of their businesses. This variable and the remaining four model variables, are discussed in more detail below.

DISCUSSION

The study reported here identified that certain farmer attitudes and, to a lesser extent, behaviours, are associated with the profitability of their dairy farm businesses. The variables included in the linear model were nearly all attitudes with only one behaviour being included: ‘When things go wrong, I sometimes lose my cool and don’t salvage the situation as well as possible’.

Foremost amongst these was their agreement with the statement that their farm business is profit-oriented. Those not agreeing with this statement strongly had much less profitable businesses. As the sample used in this study were all engaging in a farm accounting service, these figures are likely to be biased towards more profit-focused farmers and, as shown by average herd size values, were biased towards larger enterprises. Many would also have been engaging a farm consultant from the same company further highlighting a particular commercial focus. This will likely also influence many other responses to the survey questionnaire. However, the primary objective of the study was not to identify prevalence of attitudes and behaviours in dairy farmers in GB, but to identify associations and patterns likely to generalise to dairy farmers in other countries and, perhaps, non-dairy farmers.

Variable 2 and variable 3 of the linear regression model results related to participants' attitudes towards self-learning and staff skills and knowledge respectively (Table 5). Those who indicated that they gained a 'great deal' of management insight during their teenage years were found to have less-profitable businesses. This was counter to the hypothesised direction of association when the question was formed by the authors. As a post hoc rationalisation of this finding, we assume that those who indicated that they learned a great deal during their early teens, it is likely that they learned less in the period that followed. Similarly, those that think novice staff do not require training and development had less profitable businesses. Those who learned a great deal in their teens did not think novice staff need training and appear to underestimate the value of training and skills. Together with the correlations with training provision by the farm business and the educational attainment of the farmers, and farm managers, themselves, this indicates a broader view towards continuing personal development. This view most likely relates to having a 'growth' or 'fixed' view of human ability.

Having a growth mindset entails believing that 'people can change and develop their behaviour over time, particularly when they devote a concerted effort to learn and apply more effective strategies for task performance' and a fixed mindset entails believing 'personal attributes constitute a largely stable entity that tends to not change much over time' (Heslin and Vandewalle, 2008).

Two other statements that were posed were more directly related to a growth mindset. These were: 'Management is a skill that can be honed and improved'; and 'Good managers are born, not trained'. Responses to both questions did not correlate with profitability, perhaps due to a social desirability bias influencing responses. Questions relating to training

provision, and perceptions of learning were, perhaps, not as impacted by a social desirability bias as they indirectly relate to a growth mindset. Social desirability bias is where participants do not respond accurately, intentionally or unintentionally, in order to maintain appearances, and reduce the risk of embarrassment by answering how they think they should (Fischer, 1993). This could be a potential drawback of the self-reported based assessment of attitudes and behaviour used in the study reported here. Nevertheless, this provides contrary evidence to our assertion that a farmer's growth mindset, and view of continuing personal development, are associated with profitability. In aggregate, however, it appears clear that the growth mindset and, in particular, viewing continuing personal development as being valuable is important.

Interventions to increase a growth mindset have been shown to affect self-rated performance in some contexts (Visser, 2013). In addition, Heslin and Vandewalle (2008) illustrated that a growth mindset can be created among managers and that the effects were durable. In their study, increased growth mindset remained 6 weeks after the intervention. Therefore, it is possible that farmers and farm managers with a fixed mindset could, thus, be coached to have more of a growth mindset and so, potentially, improve the financial performance of their farm businesses.

A growth mindset has been shown to be important in several contexts (Heslin and Vandewalle, 2011). However, the study discussed here is one of the first to find that profitability is associated with a manager's growth mindset related variables. The current findings, thus, have potential significance outside agriculture (Heslin and Vandewalle, 2008; Mischel, 2014).

Variable 4 examined if participants viewed cow comfort as a source of pride, and agreement was negatively associated with profitability. This was counter to the hypothesised direction of association when the question was designed by the authors. One potential interpretation is that more profitable managers view cow comfort as assumed, not an achievement to take pride in. This interpretation is consistent with the findings of Vandermersch and Mathijs (2004) and Braun (2012).

Finally, variable 5 of the linear regression model relates to behaviour in a specific circumstance which is indicative of personality and temperament. How a farmer reported responding when things go wrong and, if they have a tendency to 'lose their cool' was associated with profitability. Those that indicated they did 'not always salvage situations' and who sometimes 'lose their cool' were found to manage less profitable businesses. Variables 4 and 5 indicate that rational, emotionally stable, and conscientious, farmers are likely to have more profitable farm businesses.

Not included in the linear regression model, but highlighted in the univariate analysis, was the strong association between an agricultural education and profitability and the lack of an association with self-rated ability. Education was generally positive, and Läßle et al. (2013) found that those with the least education were the ones most likely to benefit from discussion group participation. However, those with less education were found to have a more negative view of the usefulness of discussion groups in this study.

The fact that farmers' self-assessment of their own ability was not correlated with outcomes was somewhat surprising given the results reported by Nuthall (2010) where a strong relationship was found. In that study, however, farmers were asked to rate their ability in five

specific areas and the study reported here only asked for a more general self-assessment of ability. Self-assessment is, thus, likely to be associated with performance as long as the measure is sufficiently detailed and granular.

CONCLUSIONS AND IMPLICATIONS

The importance of farmer attributes in predicting farm profitability has been affirmed again here with a large and significant proportion of variation in farm profitability predicted independent of technical variables such as scale, land type and region. In addition, the findings are coherent and offer practical insights to farm management which are, mostly, not counter to expectations. However, the scale of the associations found is, perhaps, larger than might have been expected.

In the study reported here, certain attitudes of farmers and farm managers and, to a lesser extent, behaviours were found to predict farm profitability. These were, in descending order of importance: having a profit objective; having a growth mindset; and indicators of conscientiousness and emotional stability. Several other variables were also correlated with farm business profitability, but did not warrant inclusion in a final multivariate regression model examining other variables.

Our findings will be of significant value to four stakeholder groups. These are: future and current dairy farmers; farm advisors and educators; recruiters of dairy farm managers; and, third-party investors in farm land and businesses such as banks. The research presented here can, perhaps, have a more immediate impact in an educational context. For example, agricultural courses could include a focus on the topics identified. Students could complete

assessments that estimate how they would perform as farm managers based on their responses to the questions reported here associated with profitability. Similarly, farm advisors could identify where farmers' attitudes and behaviours differ from those most associated with farm business profitability and assess if changes would be appropriate.

Recruiters of farm staff, and farm managers, could assess candidates' attitudes to see how consistent they are with those found here most associated with profitable farming. With large applicant pools, an algorithm could help filter applicants and guide close final decisions. Potential farm land investors, or creditors, could also gain insight into the prospects of dairy farmers with a similar approach.

This study only looked at dairy farmers in GB; repeating the study for farmers with other types of enterprises and from other countries would be of value. Including other farmer attributes such as personality and general cognitive ability is also likely to increase the proportion of variation in outcomes explained significantly.

Farmers have a central role in the delivery of food security, environmental management and the wider rural economy. Thus, it is no longer tenable that research into farm profitability generally treats farmers as a 'black box' to be worked around. All promising avenues to improve farm performance should be pursued. Developing, and managing, farm managers with insights, such as those outlined here, could be an effective and relatively inexpensive way to increase agricultural sustainability. Given the large effects observed in the study reported here, it might, in fact, also offer significant rates of return on such investment.

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Table 1. A summary of the attitudes and objectives found to be associated with farm profitability derived from a literature review.

Source	Finding and size of effect	Sample
Barnes (2006)	Multifunctional attitude associated with technical efficiency (β 0.02).	61 dairy farmers in Scotland
Hansson (2008)	'Idea of profitability' 0.09 and 'Expected profitability' 0.03 to long-term economic efficiency (Regression coefficients).	507 dairy farmers in Sweden
Herrmann (2016)	Farmers that prioritised their career and were committed to increased owner equity over three years. $r=0.39$.	51 mixed farms in E Germany
Mäkinen (2013)	Management thinking (MT) composed of 5 factors based on 28 questions predicted operating margin (β 0.59). The factors loadings on MT included entrepreneurial orientation (0.58), strategic thinking (0.55) and intrinsic values (0.44).	117 dairy farmers in Finland
Manevska-tasevska and Hansson (2011)	Profit maximisation 0.14 to 0.21, increasing production 0.14 to 0.1 and standard of living objectives 0.09 to 0.14 for technical efficiency.	301 grape growers in FYR Macedonia
Nuthall (2010)	Self-rated ability model β 0.49 - 0.51 to financial performance, objective of risk reducer (β 0.13) and profiteer (-0.07).	657 farmers in New Zealand
Thomas and Thigpen (1996)	Opposition to regulations and environmental rules were associated with higher gross income. Participation in such programs associated with opposition.	1,063 arable farmers in Texas
Vandermersch and Mathijs (2004)	Prioritising reducing inputs and costs: higher gross margin (model partial $R^2 = 0.12$). Focus on pedigree and yields negative (partial R^2 0.05). Model R^2 0.21.	79 farmers in Flanders
Wilson et al. (2001)	Maintaining the environment (0.019) and maximising profits (0.017) in the top 2 of priorities. Prioritising the two would predict approximately 4% greater efficiency.	73 wheat farmers in E England
Wilson et al. (2012)	High performing farmers characterised by attention to detail, focus on margins and cost control as being important.	24 farmers in England

519 **Table 2.** Summary statistics of the survey sample.

	Mean values	Standard deviation
Age of participant	50.5	9.2
Number of milking cows	198	110
Yield per cow (L)	7,595	1,210
PBRC ¹ (£)	153,459	89,800
PBRC ¹ + wages (£)	216,050	114,501
PBRC ¹ / turnover (%)	22	8
(PBRC ¹ + wages) / turnover (%)	31	7.6

520

521 ¹ Profit Before Resource Costs.

522 **Table 3.** Correlation matrix of the profit measures examined. (Pearson's r).

	PBRC	PBRC + wages	PBRC/ turnover	(PBRC + wages) / turnover
PBRC ¹	1.00	0.93	0.65	0.62
PBRC ¹ + wages	0.93	1.00	0.43	0.58
PBRC ¹ / turnover	0.65	0.43	1.00	0.81
(PBRC ¹ + wages) / turnover	0.62	0.58	0.81	1.00

523

524 ¹ Profit Before Resource Costs.

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Table 4. Correlations of variables with (PBRC¹ + wages) / turnover. N=80.

	Variable ²	rho	p	Relationship	Mean ³	Median	Std Dev	Comment/Interpretation
1	Increasing turnover is essential for long term success	0.367	0.001	Negative	2.5	2.0	1.1	High scorers will have efficient well run farms and so be best placed to consider expansions.
2	When things go wrong I sometimes lose my cool and don't salvage the situation as well as possible*	0.324	0.003	Negative	3.4	4.0	1.3	Indicative of emotional stability.
3	Content cows are a major source of pride*	0.308	0.005	Negative	1.7	2.0	0.8	Perhaps better farmers take cow comfort as a given.
4	I buy most of my inputs from 1 or 2 local suppliers	0.300	0.007	Negative	3.5	4.0	1.4	There was a broad distribution in responses to this question.
5	Training provision to staff	0.290	0.009	Positive	0.8	1.0	0.8	Count of training provided, off farm, on farm, other. (0-2)
6	I don't usually pay for staff training as they may leave after and/or I would rather do it myself	0.285	0.010	Negative	3.4	3.0	1.2	Related to item 5 and 12. Indicating of a cynical outlook and poor people management skills.
7	I worry about milk price a lot	0.282	0.011	Negative	2.9	3.0	1.1	
8	Age leaving full time education	0.261	0.019	Positive	18.0	18.0	2.6	Less predictive than item 13, level of education attainment.
9	People think I work too hard	0.247	0.027	Negative	2.1	2.0	1.1	Most participants agreed with this statement.
10	How important is the trait milk yield when selecting replacement genetics?	0.233	0.038	Negative	3.2	3.0	1.7	Broad range of responses received.
11	How much insight into farm management did you gain between 11 and 15 years old*	0.221	0.049	Negative	3.6	4.0	1.4	Agreement may indicate aversion to learning new methods and techniques.
12	Staff entering the industry lack important skills and knowledge*	0.220	0.050	Positive	2.8	3.0	1.1	See item 5 and 6. Appreciating that new staff need training is associated with profitability.
13	Level of educational attainment of manager	0.209	0.063	Positive	2.2	2.0	1.7	Scale 0- 5. 5= University level education
14	My farm is completely orientated towards maximising profit*	0.190	0.091	Positive	2.5	2.0	1.0	Most farmers did not agree strongly with this statement.

¹ Profit Before Resource Costs.² Variables included in linear regression model shown in Table 5 are marked (*).³ Apart from variables 5, 8 and 13, the mean refers to agreement with the statements on a scale where 1 = agree strongly with the statement and 5 = disagree strongly with the statement. For variable 10, the mean refers to agreement with the statement on a scale where 1 = very important and 5 = not very important.

Table 5. Linear regression model explaining (PBRC¹ + wages) / turnover $R^2 = 0.34$ (Adj = 0.30). The co-efficient can be interpreted as the % change in profitability associated with a one point change in the independent variable (question response).

Variable	β	Co-efficient (%)	Std. Error	T - value	p - Value
Intercept		0.25	0.04	6.53	0.00
1 My farm is completely orientated towards maximising profit	-0.33	-0.02	0.01	-2.17	0.03
2 How much insight into farm management did you gain between the ages of 11 and 15	0.27	0.01	0.01	2.56	0.01
3 Staff entering the industry lack important skills and knowledge	-0.27	-0.02	0.01	-2.89	0.01
4 Content cows are a major source of pride	0.27	0.03	0.01	2.68	0.01
5 When things go wrong I sometimes lose my cool and don't salvage the situation as well as possible	0.24	0.02	0.01	3.09	0.00

β = Standardised co-efficient.

¹ Profit Before Resource Costs.

Table 6. Change in profit measure predicted for each positive change in rank score for the five regression variables.

Variable statement	PBRC ¹ (£)	PBRC ¹ (%) / turnover	PBRC ¹ + wages (£)
Intercept	153,014	17.8	204,290
1 My farm is completely orientated towards maximising profit	33,575	2.5	32,433
2 How much insight into farm management did you gain between the ages of 11 and 15	-15,585	-1.5	-16,423
3 Staff entering the industry lack important skills and knowledge	17,759	1.4	24,701
4 Content cows are a major source of pride	-25,632	-2	-36,695
5 When things go wrong I sometimes lose my cool and don't salvage the situation as well as possible	-9,929	-1.7	-11,766
Model R ²	0.29	0.31	0.29

¹ Profit Before Resource Costs.

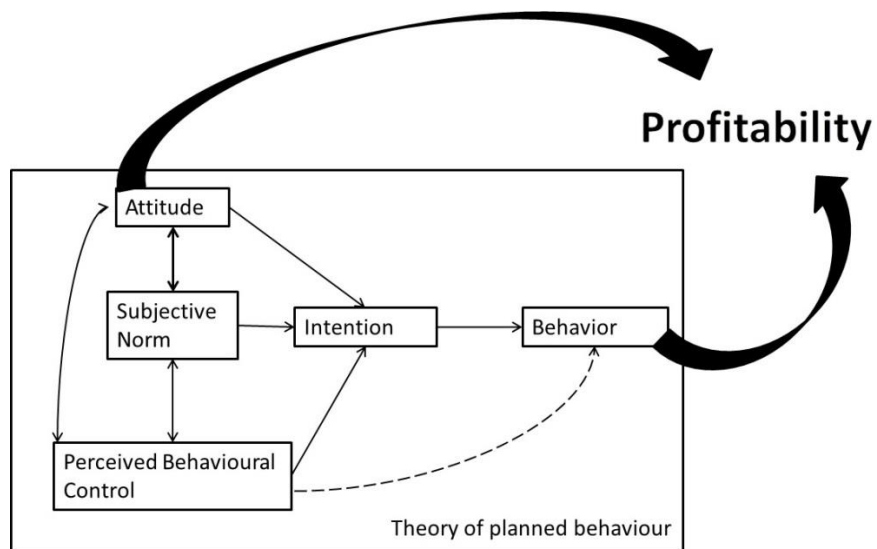


Fig. 1. Diagram of the Theory of Planned Behaviour adapted to illustrate the focus of this study with the two thick dark arrows pointing to profitability.

Source: after Ajzen (1991).

- 18 Appendix. Illustration of accounts summary showing how Profit Before Resource Costs
19 and Profit are calculated.

FARM BUSINESS TRADING SUMMARY	
	31-Dec-13 £
Livestock	608,856
Crops	6,250
Forage	380
Commercial	0
Sundry	26,662
BUSINESS TURNOVER	642,148
Livestock	190,726
Crops	4,785
Forage	37,654
Commercial	0
Sundry	0
Less VARIABLE COSTS	233,165
Livestock	418,130
Crops	1,465
Forage	-37,274
Commercial	0
Sundry	26,662
Equals BUSINESS GROSS MARGIN	408,983
Wages	51,136
Power and Machinery	93,366
Administration	23,241
Property Charges	28,047
Less DIRECT OVERHEAD COSTS	195,790
Equals PROFIT BEFORE RESOURCE COSTS	213,193
Land Rent	10,975
Quota Leasing	0
Machinery, Fixtures Investment	37,016
Depreciation	
Finance Charges (incl interest and charges)	21,207
Less TOTAL RESOURCE COSTS (incl depreciation)	69,198
Equals PROFIT	143,995